

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)	
WATER COMPANY FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECES-)	
SITY AUTHORIZING THE CONSTRUCTION)	CASE NO. 9360
OF 9,800 FEET OF 16-INCH WATER)	
MAIN TO SERVE THE CITY OF)	
VERSAILLES, KENTUCKY)	

O R D E R

The Kentucky-American Water Company ("Kentucky-American") filed its application on June 7, 1985, for approval of a proposed waterworks improvement project in the amount of \$394,000. Kentucky-American proposes to finance the construction of the improvements by contributions from the City of Versailles and a sum of \$68,500 to be funded by either internally generated funds or short-term bank borrowings. Construction bids have not been received for the proposed project.

The purpose of the proposed construction is the wholesale supply of potable water to the City of Versailles, Kentucky. Construction drawings and specifications for the proposed improvements as prepared by Howard K. Bell Consulting Engineers, Inc., of Lexington, Kentucky, have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

On June 25, 1985, the Commission granted full intervention status to the Lexington-Fayette Urban County Government. A hearing was held July 18, 1985, in the offices of the Public Service Commission, Frankfort, Kentucky, on Kentucky-American's proposed construction to serve the City of Versailles.

The Public Service Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. The proposed project includes construction of approximately 9,800 feet of 16-inch water distribution main connecting with existing facilities of Kentucky-American on Fort Springs Road, then following Military Road to Shannon Run Road. Also included in this project is the construction of 5,200 feet of 16-inch water distribution main from Shannon Run Road to Huntertown Road to connect with the City of Versailles water system.

3. Any construction deviations from the drawings and specifications herein approved which could adversely affect service to any customer should be subject to prior approval of this Commission.

4. Kentucky-American should provide full-time resident inspection of the construction under the general

supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision should insure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

5. Kentucky-American should furnish to the Commission a copy of the "as-built" drawings and a signed statement by a professional engineer that the construction has been satisfactorily completed in accordance with the drawings and specifications, within 60 days of the date of substantial completion of this construction.

6. Kentucky-American should file with this Commission duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

7. Kentucky-American's financing of \$68,500 of this project during the initial construction period may be by means of short-term loans. On August 5, 1985, this Commission entered an Order in Case No. 9387,¹ approving

¹ Application of Kentucky-American Water Company for an Order Authorizing the Issuance and Sale of its General Mortgage Bonds, 10.875% Series Due September 1, 1995, in the Principal Amount of \$3,000,000.00 and for the Issuance and Sale of 81,364 Shares of Common Stock for a Consideration of \$2,000,000.00.

Kentucky-American's issuance of \$5,000,000 in bonds and stock. Kentucky-American proposes to use the proceeds from the sale of the bonds and stock to repay the short-term loans incurred for this project and other construction.

8. Nothing contained herein should be deemed to address the appropriate method of cost allocation or the appropriate rate structure for this particular wholesale customer.

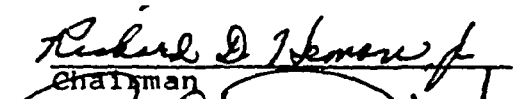

IT IS THEREFORE ORDERED that Kentucky-American be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein approved.

IT IS FURTHER ORDERED that Kentucky-American shall comply with all matters set out in Findings 3 through 6 as if the same were individually so ordered.

IT IS FURTHER ORDERED that nothing contained herein shall be deemed to address the appropriate method of cost allocation or the appropriate rate structure for this particular wholesale customer.

Done at Frankfort, Kentucky, this 13th day of August, 1985.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

ATTEST:

Secretary

did not participate
Commissioner